

## Message Text

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ACTION NEA-10

INFO OCT-01 AF-10 ISO-00 IO-13 EB-08 CIAE-00 DODE-00  
PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01  
SP-02 SS-15 ICA-11 OPIC-03 STR-07 COME-00 TRSE-00  
OMB-01 AID-05 /111 W  
-----042135 161436Z /41

R 161050Z APR 78  
FM AMEMBASSY KUWAIT  
TO SECSTATE WASHDC 0706  
INFO AMEMBASSY ABU DHABI  
AMCONSUL ALEXANDRIA  
AMEMBASSY ALGIERS  
AMEMBASSY AMMAN  
USINT BAGHDAD  
AMEMBASSY BEIRUT  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMEMBASSY DJIBOUTI  
AMCONSUL DHAHRAN  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY MANAMA  
AMEMBASSY MOGADISCIO  
AMEMBASSY MUSCAT  
AMEMBASSY NOUAKCHOTT  
AMEMBASSY RABAT  
AMEMBASSY SANA  
AMEMBASSY TEL AVIV  
AMEMBASSY TRIPOLI  
AMEMBASSY TUNIS

C O N F I D E N T I A L SECTION 1 OF 3 KUWAIT 2263

E.O. 11652: GDS  
TAGS: ETRD, XF  
SUBJ: BOYCOTT DEVELOPMENTS  
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REF: STATE 090993

1. SUMMARY. KUWAIT BOYCOTT OFFICE ACTING DIRECTOR KNOWS OF  
NO PLANNED ARAB LEAGUE MEETING ON BOYCOTT. HE FEELS IT UNLIKELY  
THAT COCO COLA, FORD, OR RCA WILL BE REMOVED FROM BOYCOTT  
UNLESS THEY PROVIDE REQUISITE INFORMATION WHICH U.S. LAW

NOW PROHIBITS THEM FROM DOING. (XEROX, HE SAID, HAD PROVIDED THE NECESSARY INFORMATION PRIOR TO JANUARY 1978.) BEING UNABLE TO PROVIDE INFORMATION TO GET OFF BOYCOTT AND BEING SUBJECT TO POSSIBLE BOYCOTTING FOR LACK OF ANSWERING QUESTIONNAIRES ARE THE TWO MAJOR PROBLEMS POSED BY NEW U.S. LAW, BOYCOTT OFFICE DIRECTOR FEELS. HE DOES NOT SEE BOYCOTT LANGUAGE IN LETTERS OF CREDIT AS A PROBLEM SINCE SUCH LANGUAGE IS NOT REQUIRED BY HIS OFFICE, BUT RATHER HAD BEEN PUT IN BY LOCAL BANKS TO PROTECT THEMSELVES. KUWAITI BANKS ARE NOW USING LETTERS OF CREDIT WITHOUT BOYCOTT LANGUAGE WHEN SO REQUESTED BY LOCAL IMPORTERS. END SUMMARY.

2. DIRECTOR OF KUWAIT BOYCOTT OFFICE, MUHAMMAD GHARABALLY, HAVING RESIGNED, EMBOFFS CALLED ON ACTING DIRECTOR MUHAMMAD SUWAIDAN. A PALESTINIAN, SUWAIDAN HAS WORKED CONTINUOUSLY FOR THE BOYCOTT OFFICE SINCE GRADUATING FROM THE AMERICAN UNIVERSITY OF BEIRUT IN 1957. WELL VERSED IN BOYCOTT MATTERS, HE HAD THE FOLLOWING TO SAY.

3. ARAB LEAGUE BOYCOTT MEETING. SUWAIDAN SAID THAT SUCH A MEETING WAS LONG OVERDUE BUT THAT HE HAD HEARD OF NO AGREEMENT ON EITHER THE TIME OR THE PLACE FOR SUCH A MEETING. HE DOUBTED MEETING WOULD TAKE PLACE IN THE NEAR FUTURE, GIVEN CURRENT ARAB DIVISIONS.

4. REMOVAL OF AMERICAN FIRMS FROM ARAB BLACKLIST. EMBOFFS  
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MADE PRESENTATION ALONG LINES REFTTEL URGING REMOVAL COCA COLA, FORD, RCA AND XEROX FROM BLACKLIST. SUWAIDAN SAW UTILITY OF STRENGTHENING U.S.-ARAB COMMERCIAL TIES, BUT NOTED THAT OF THE FOUR COMPANIES ONLY XEROX HAD SUBMITTED THE REQUISITE INFORMATION TO THE BOYCOTT OFFICE. WITHOUT SUCH INFORMATION FROM THE OTHER FIRMS, HE DID NOT SEE HOW IT WOULD BE POSSIBLE FOR THEM TO BE TAKEN OFF THE BLACKLIST. EMBOFFS EXPLAINED THAT NEW U.S. LAW PROHIBITS AMERICAN FIRMS FROM SUPPLYING SUCH INFORMATION. SUWAIDAN FELT THIS REGRETTABLE SINCE HE SAW NO WAY IN WHICH THE CONFLICT BETWEEN U.S. LAWS AND CBO REGULATIONS COULD BE OVERCOME TO PERMIT REMOVAL OF THESE FIRMS FROM THE BLACKLIST. HE ADDED HE WAS UNDER INSTRUCTIONS NOT TO DISCUSS DETAILS REGARDING COMPANIES INVOLVED.

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-----042212 161437Z /41

R 161050Z APR 78  
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5. QUESTIONNAIRE PROBLEM. EMBOFFS POINTED OUT THAT UNDER NEW  
U.S. LAW U.S. FIRMS COULD NOT PROVIDE ANY INFORMATION TO  
BOYCOTT OFFICE, INCLUDING RESPONDING TO BOYCOTT OFFICE  
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QUESTIONNAIRES. NUMBER OF U.S. FIRMS EITHER DIRECTLY OR  
THROUGH THEIR AGENTS RECENTLY HAD RECEIVED QUESTIONNAIRES  
FROM KUWAIT BOYCOTT OFFICE. SINCE U.S. FIRMS COULD NOT  
ANSWER THESE QUESTIONNAIRES AND SINCE NONCOMPLIANCE HAD IN THE  
PAST LED TO BOYCOTT ACTIONS, FURTHER DISSEMINATION OF SUCH  
QUESTIONNAIRES COULD HAVE DISASTROUS EFFECT ON U.S.-KUWAITI  
COMMERCIAL RELATIONS. WAS THE KUWAIT BOYCOTT OFFICE NOW

ROUTINELY HANDLING OUT SUCH QUESTIONNAIRES? SUWAIDAN EMPHATICALLY REPLIED NO. HE SAID SUCH QUESTIONNAIRES WERE ONLY SENT TO FIRMS WHEN THE BOYCOTT OFFICE HAD "OFFICIAL" REASON TO BELIEVE THAT FIRMS WERE VIOLATING THE BOYCOTT. HE DENIED REPORTS THAT SUCH QUESTIONNAIRES WERE FREQUENTLY SENT AS A RESULT OF ANONYMOUS LETTERS TO THE BOYCOTT OFFICE FROM COMPETITORS, SAYING THAT HIS OFFICE IGNORED SUCH LETTERS AND ONLY ACTED AS A RESULT OF INFORMATION PROVIDED BY "OFFICIAL SOURCES," SUCH AS ARAB CHAMBERS OF COMMERCE, THE CENTRAL BOYCOTT OFFICE, ARAB EMBASSIES, ETC.

6. LETTER OF CREDIT PROBLEM. CONFIRMING WHAT WE HAD LONG SUSPECTED, SUWAIDAN SAID THAT THE KUWAIT BOYCOTT OFFICE DID NOT REQUIRE ANY BOYCOTT LANGUAGE OF ANY KIND IN LETTERS OF CREDIT. RATHER SUCH LANGUAGE WAS RESULT OF ACTIONS OF LOCAL BANKS, WHICH WANTED TO PROTECT THEMSELVES FROM BEING LIABLE FOR LETTERS OF CREDIT COVERING BOYCOTTED GOODS. FOR MANY YEARS, LONG BEFORE THE PASSAGE OF NEW U.S. LEGISLATION, HE HAD SUGGESTED TO LOCAL BANKS THAT IN THE ROUTINE PROCESSING OF LETTERS OF CREDIT THEY CHECK AS TO WHETHER OR NOT FOREIGN EXPORTERS WERE ON THE BOYCOTT LIST. HIS OFFICE ROUTINELY PROVIDED THE BANKS WITH NAMES OF BOYCOTTED FIRMS. ESPECIALLY NOW THAT MOST KUWAITI BANKS WERE COMPUTERIZED, THERE WAS NO REASON WHY ONE OR TWO EMPLOYEES OF SUCH BANKS COULD NOT ROUTINELY CHECK WHETHER LETTERS OF CREDIT COVERED BOYCOTTED FIRMS. THERE WAS NO WAY THAT HIS OFFICE COULD WRITE CERTIFICATES

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STATING THAT FIRMS WERE NOT BOYCOTTED, SINCE MORE THAN 1000 LETTERS OF CREDIT WERE ISSUED EVERY DAY IN KUWAIT. THE PROBLEM, HE SAID, WAS ONE THAT THE BANKS COULD EASILY RESOLVE. HOWEVER, THEY DID NOT WANT TO TAKE THE RESPONSIBILITY.

7. TENDER LANGUAGE. EMBOFFS PROVIDED SUWAIDAN WITH COPY OF EMBASSY NOTE ENCLOSING EAA AND JANUARY REGULATIONS. BRIEFLY GOING OVER THE LAW, EMBOFFS EMPHASIZED CENTRAL THEME THAT LAW WAS DESIGNED TO ELIMINATE THE INVOLVEMENT OF PERSONS IN THE ENFORCEMENT OF FOREIGN BOYCOTTS OF FRIENDLY COUNTRIES. GOOD EXAMPLE OF SUCH ENFORCEMENT ACTION WAS PRESENT KUWAITI REQUIREMENT THAT FOREIGN FIRM OR ITS AGENT OBTAIN BOYCOTT CERTIFICATE FROM BOYCOTT OFFICE AND PRESENT THIS CERTIFICATE TO APPROPRIATE KUWAITI MINISTRY WHEN SUBMITTING TENDERS. PROVISION OF SUCH INFORMATION WAS MATTER BETWEEN KUWAITI GOVERNMENT AGENCIES FOR WHICH THERE WAS NO REASON FOR U.S. FIRM TO BECOME INVOLVED. SUWAIDAN SAW LOGIC OF ARGUMENT AND NOTED THAT KUWAITI MINISTRIES OFTEN TIMES GOT CERTIFICATES DIRECTLY FROM HIM.

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8. OBSTACLES TO U.S.-KUWAITI TRADE. SUWAIDAN SAID THAT U.S.  
LEGISLATION WAS HINDERING U.S.-KUWAITI TRADE, PARTLY BECAUSE  
IT WAS SO COMPLICATED THAT MANY U.S. FIRMS COULD NOT UNDERSTAND  
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IT AND SIMPLY AVOIDED TRADE WITH KUWAIT. WORSE, HE NOTED,

THE LAW HAD COME MORE THAN 20 YEARS AFTER BOYCOTT'S ESTABLISHMENT. IT WAS VERY DIFFICULT TO EXPECT AT THIS RATHER LATE DATE FOR CENTRAL BOYCOTT OFFICE TO SUDDENLY DISMANTLE ALL ESTABLISHED RULES AND REGULATIONS. PROCEDURAL MATTERS, SUCH AS IN LETTERS OF CREDIT, WERE NO PARTICULAR PROBLEM; QUESTIONNAIRES WERE SOMETHING ENTIRELY DIFFERENT, IN FACT, THE MOST DIFFICULT PROBLEM. UNLESS U.S. FIRMS COULD SOMEHOW PROVIDE INFORMATION TO BOYCOTT OFFICE, HE DID NOT SEE HOW THEY COULD GET OFF THE BOYCOTT OR, IN MANY CASES, AVOID GETTING ON IT.

9. COMMENT: IN THIS FIRST MEETING SUWAIDAN STRUCK US AS A LEVEL-HEADED, NON-POLEMICAL PERSON, FULLY AWARE OF THE COMPLICATIONS CAUSED BY THE CLASH BETWEEN BOYCOTT OFFICE AND U.S. REGULATIONS AND DESIROUS, WHERE POSSIBLE, OF MAKING ACCOMODATION SO THAT U.S.-KUWAITI TRADE IS NOT DAMAGED. HIS COMMENTS RUN SOMEWHAT COUNTER TO THOSE OF A NUMBER OF LOCAL BUSINESS SOURCES WHO FEEL THAT THE NUMBER OF QUESTIONNAIRES SENT OUT BY THE BOYCOTT OFFICE HAS BEEN INCREASING RECENTLY.

10. POSTSCRIPT ON LETTER OF CREDIT PROBLEM. LETTER OF CREDIT PROBLEM HAS BEEN THAT LOCAL BANKS HAVE BEEN UNWILLING TO TAKE RESPONSIBILITY PROPOSED BY BOYCOTT OFFICE. HOWEVER, SINCE BOYCOTT OFFICE HAS INDICATED THAT BOYCOTT LANGUAGE IS NOT REQUIRED IN LETTERS OF CREDIT, ALL SIX LOCAL BANKS RECENTLY WROTE JOINT LETTER TO THE CENTRAL BANK INFORMING IT THAT THEY PLAN TO DROP BOYCOTT LANGUAGE FROM THEIR LETTERS OF CREDIT IF SO REQUESTED BY LOCAL IMPORTERS. BANKERS TELL US THAT LOCAL IMPORTERS ARE DOING THIS (AND TAKING RESPONSIBILITY FOR ANY ENSUING BOYCOTT COMPLICATIONS), THEREBY LARGELY SOLVING LETTER OF CREDIT PROBLEM IN KUWAIT. MAESTRONE

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## Message Attributes

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**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Review Markings:**  
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